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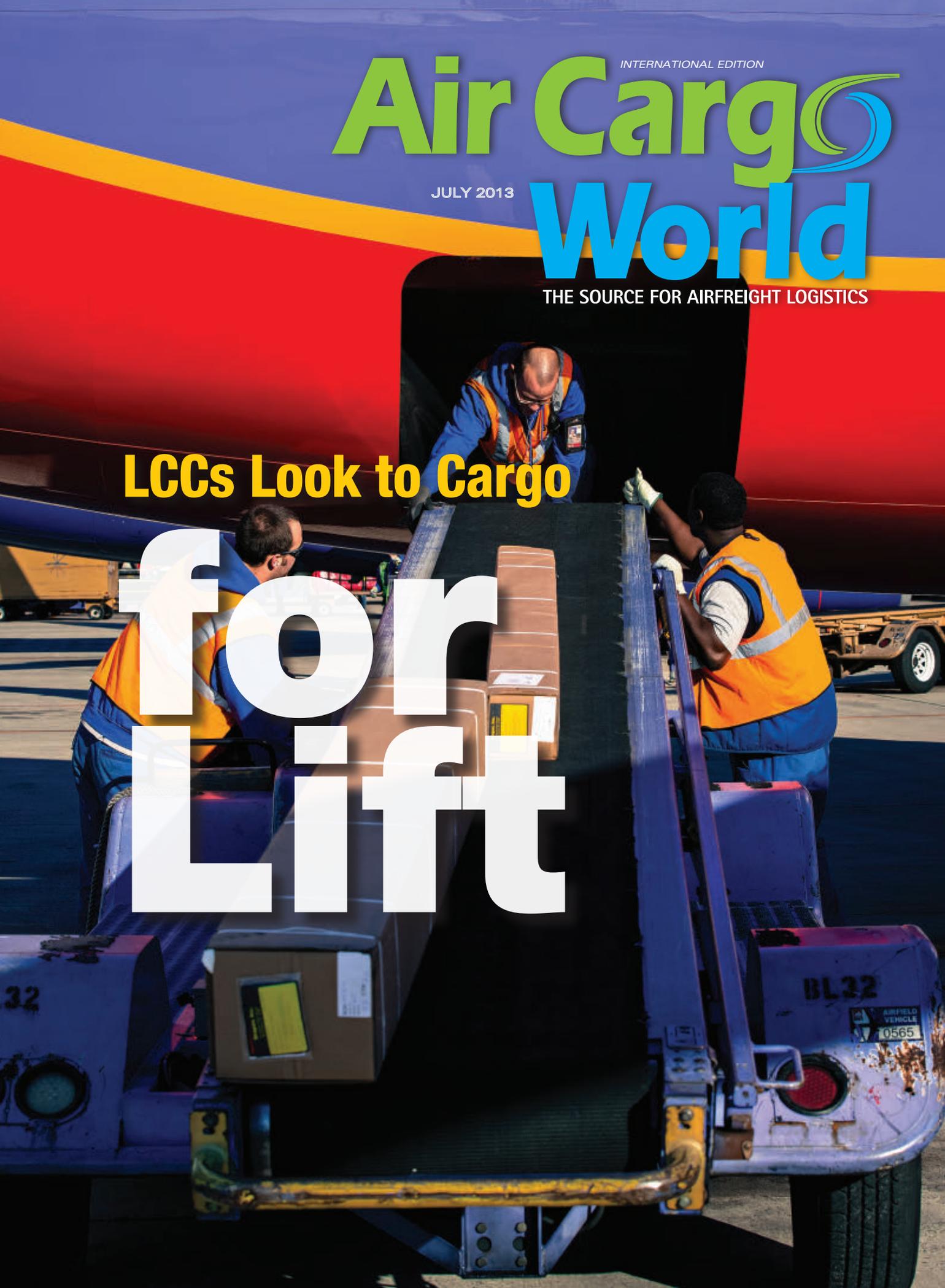
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Freight's big festival



John W. McCurry
Editor

Attending and exhibiting at trade shows around the globe has been one of my favorite duties during 20 years in trade magazine publishing. There's always something new to be learned and intriguing people to meet. In the past, I have attended large exhibitions featuring energy, biotechnology, textiles and apparel, so I was looking forward to my first experience with the logistics lollapalooza known as the Transport Logistic show in Munich.

The early June exhibition, which included a hall devoted to Air Cargo Europe, was massive, and it was virtually impossible to see everything going on across the 1,184,700 square feet (110,000 square meters) of exhibit space. A record 53,000 visitors passed through the gates during its four-day run.

Of course, there are the flashy exhibits with bands, booze and belly dancers, but sometimes the more interesting stories can be found tucked away in small, simple stands. One such exhibitor was Djibouti International Airport, making its trade show debut. The relatively small airport in the tiny country known as "the gateway to Africa" has ambitious plans for cargo in the coming years. Moussa Houssein Doualeh, cargo manager at the airport, is enthusiastic about the prospects of DIA serving the continent's landlocked nations with air cargo. You can read more about this in our Middle East/Africa news section, which begins on p. 10.

Global logistics provider Dachser fielded one of the larger stands in Munich. The 7,539-square-foot (700-square-meter) exhibit was always overflowing with visitors.

"For us it is either, or," Thomas Reuter, Dachser's managing director for air and sea logistics, said. "Either we show a presence that underlines our position or we don't do it. It's important not only for our customers, but to attract more people to create an awareness about Dachser. There's never been a serious discussion that we would not continue to exhibit. We get a lot of good feedback from our customers, and we see the reaction of our customers to our innovations."

Take a closer look at Dachser's stand in Munich and you find an interesting way the company rewards its employees. Like many of the show's prominent exhibitors, Dachser featured a sizeable catering operation, but it run its differently. All of the exhibit personnel, including the catering staff, are all regular Dachser employees. Serving in the Dachser stand is viewed as a major perk by employees and a great team-building exercise by management. Years ago, Dachser used a catering company as do most businesses, but discovered that it was just a job for students who knew little about the company.

"We realized that this makes a hell of a difference," Reuter explains. "If you see these ladies, how enthusiastic they are, this is what we would like to show to our customers because they can

see the difference as well. You can ask any of them about Dachser, and they know everything about Dachser. They are totally exhausted by the evening, but they love it."

Exhibit personnel have to apply for the job and are carefully selected by Dachser branch managers throughout Europe. Sixty-two participated in this year's exhibit.



Dachser employees, rather than hired caterers, work the restaurant-sized serving area of the company's Transport Logistic stand.

John McCurry

Cargolux adds Atlanta-Munich service

Cargolux Airlines International introduced a regular service between Atlanta and Munich via Luxembourg.

A Boeing 747-400 freighter will serve the route every Monday.

The main import customer for the new Cargolux service is the German freight forwarder Senator International Spedition.

"Cargolux is a trusted and reliable partner who supports us in delivering first-class global logistics services to our own customers. The Cargolux network offers us a wide array of options to accommodate with this weekly operation," Tim-Oliver Kirschbaum, CEO of Senator International, said.

This is Cargolux's first regular air-freight service to and from Munich. Until now, the airline has relied on its trucking



services to transport freight between its Luxembourg hub and Munich.

"Import tonnage on this flight mostly originates in the United States and Asia. At the same time, Munich offers us an excellent opportunity to consolidate general cargo intended for other areas in our network," Richard Forson, Cargolux interim president and CEO, said.

Munich Airport has recently started a push to expand its air cargo activities and attract more all-cargo operators. In 2012, the airport handled around 290,000 tonnes of airfreight and mail. **ACW**



New carrier touts low-cost cargo model

If there is such a thing as a low-cost entry into the air cargo market, then that is the approach Europe's newest cargo carrier, Aerospace One, appears to be adopting.

In fact, the growing airline proudly proclaims that it is the industry's first truly Low Cost Cargo Carrier, hereafter known as the L3C model.

In a nutshell and, it insists, without compromise to operational safety and security, Aerospace One says its L3C model offers air cargo services at competitive rates, high frequencies and low cost in the logistics supply chain. Customers should note the L3C template incorporates no fuel, security and other surcharges.

It is on the back of its L3C mantra that Aerospace One has begun operations. And, as befitting its low-cost credentials, it is doing so with a single B747-200F. The aircraft, rumoured to be nearly 30 years old, has been acquired from Rayyan Air, a Pakistani registered carrier.

Less antiquated B747-400F capacity is on the way.

Aerospace One says it will adopt an L3C "mobile model of operational activities," but principally intends to

position itself in the European market as an ACMI and charter operator targeting the heavy lift business.

But founder Jaideep Mirchandani says the airline wants to spread its wings beyond Europe. The vision, he says, is to build cargo bridges between continents, which initially means between Asia and South America by way of Europe. The carrier's maiden flight was a B747-200F charter from Sharjah, United Arab Emirates to Jakarta, Indonesia.

Aerospace One subscribes to a disparate mobile mode of operational activities and is in fact part of the more expansive Sky One aviation group, headed by Mirchandani.

In its own right, the carrier has acquired a Greek AOC with which to conduct its European activities, having registered as a Greek company. The chief executive of the new Greek airline is Aristeidis Pappas. Prior to his appointment, Pappas was senior flight operations inspector with the General Civil Aviation Authority of Dubai in the United Arab Emirates.

The carrier's sales operation will be fronted exclusively by charter broker chartersphere from its Lon-



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don offices. chartersphere is an established charter broking operation started by managing director Paul Bennett. But it is also an affiliate of the Skyone group, with both Bennett and Mirchandani listed as co-owners.

Bennett confirms that Aerospace One will work both the ACMI and charter markets.

“By serving a combination of both, we will be able to draw on the strength of our fleet to complement each other and provide greater flexibility,” Bennett says. “But it is likely the B747-200F will focus on the charter side and offer back-up for the B747-400Fs when they arrive, which we envisage being put out on ACMI lease.”

Bennett defends the choice of the fuel-sapping B747-200F with which Aerospace One is starting up.

“The fuel component is, of course, the largest fixed-cost on any flight, but whilst the older -200F does have a higher fuel burn it is cheaper to operate than the -400F,” he says. “At the end of the day, we expect these factors to cancel each other out and anticipate that they will offer us the same value.”

And the anticipated arrival of the -400F equipment?

“We will be taking delivery of two leased -400F series aircraft, which will be available from August,” Bennett says. “They will also be flying under Greek registration.”

Aerospace One has been required to go to considerable length and expense to gain its European credentials, but it insists this was essential to the start-up.

“Being an EU operator is very important to us,” Bennett says. “It not only provides us with prestigious benefit of EU traffic rights, but it also allows us to respond even faster and more flexibly...As an EU-registered airline, it means we are also able to guarantee standards of maintenance and safety, which I believe offers vital peace of mind to businesses operating in the global marketplace.”

It was initially indicated that Aero-



AEROSPACE ONE S.A.

Mirchandani's history

Mirchandani may have an extensive portfolio of aviation businesses, but it is his previous aviation endeavors that arouse interest.

Back in 2002, Mirchandani, as then owner of a Sam Avia, was indicted by an Indian court of operating a series of illegal flights between Delhi and Dubai. In connivance with Kazakhstan airline GST Aero, it was claimed that at least six illegal flights were operated using AN-12 freighters.

What intrigued the Indian authorities was the lengths to which the conspirators had gone to facilitate the flights. This included producing a forged letter on the letterhead of the Kazakhstan embassy,



Jaideep Mirchandani

which was submitted to two Indian ministries in order to gain the necessary flight clearances.

Two years earlier, Sam Avia was investigated by India's Directorate of Revenue Intelligence. The company was accused of allegedly being involved in a fraud whereby goods were flown out of India by Sam Avia, ostensibly to Russia, but in fact the flights only reached Dubai where the goods were offloaded and sold at a higher price.

space One had nominated Châteauroux-Centre Airport in France as its operational European base.

Earlier this year, Sky One France was established when Châteauroux-based aircraft maintenance company Latecoere Aeroservices was taken out of receivership in a joint venture between Sky One and locally-based Valliere Aviation, headed by Gregoire Lebigot.

The bailout and subsequent acquisition by Sky One France co-founders Mirchandani and Lebigot purportedly cost the two new shareholders about US\$5.2 million. But it means that Aerospace One has a readymade line maintenance base in the heart of Europe.

But Bennett discloses that the airline has yet to confirm if Châteauroux will also serve as the carrier's European operation hub.

“At the moment, Châteauroux is one option under consideration, but it is among a number of locations we could use within Western Europe,” he

says.

It is not clear yet how Aerospace One will prosper under its proclaimed L3C business model. But perhaps some clue can be gained from another of Mirchandani's enterprises, Veteran Avia, an Armenian-registered cargo carrier based in Sharjah, which operates a fleet of 747-200s and Il-76s.

Primarily another ACMI operation, Veteran Avia has two B747-200Fs flying on behalf of Saudia Cargo. Little surprise that Veteran is also represented in the UK by chartersphere.

“Veteran has a long track record of operating B747Fs, and we will naturally draw on their experience and will also have access to their crews and aircraft,” Bennett says.

But Bennett appears confident of success for the fledgling new European carrier now under his wing.

“This will be a niche operator, entering a niche market,” he says. “We have the back-up and the aircraft to make a success of this exclusive affiliation.” **ACW**

Colliers names best logistics hubs

Antwerp, Belgium; Rotterdam, Netherlands and Dusseldorf are the best logistics hubs in Europe, according to a report from Colliers International, global real estate advisers.

Kiev, Ukraine; Istanbul and Bratislava, Slovakia were the top three ideal locations for cost-driven manufacturing activities, according to the Logistics Cities report.

The report examines both mature and emerging logistics and industrial centers across Europe and ranks them based on two main criteria: distribution and manufacturing.

From a distribution perspective, cities in Belgium, the Netherlands and Germany dominate the report's top 10. These cities form part of the Blue Banana, a corridor of cities located at the economic heart of Europe.

"What is termed as the Blue Banana are the most densely populated and richest areas in the region, which makes them a logical choice for companies seeking to reach the largest number of customers as quickly and readily as possible," Erik Barnekow, director of EMEA Industrial and Logistics at Colliers International, said. "They also benefit from proximity to major European seaports and airports, the largest consumer markets and a vast, and relatively skilled, workforce pool."

The report reveals that Liege, Belgium and Lille, France offer a particularly good compromise between market access maximization and cost reduction. Northern Italy also offers good growth potential for distribution activities, especially given the expected increase in freight traffic through northern Adriatic ports, with Milan and Bologna both in the top 20.

Outside Western Europe, Prague and Bratislava obtained the best score for distribution. The report expects Central and Eastern European hubs to gain further importance across the European distribution landscape as the center of Europe gradually shifts east.

The manufacturing perspective, where cost was held as the key determinant of location decision, is dominated by cities in Central and Eastern Europe and neighboring countries to the east such as Ukraine.

Kiev occupies the highest spot in this ranking, followed by Istanbul, Bratislava, Katowice, Poland and Sofia.

Istanbul stands out for relatively lower labor costs compared to most of the other cities and good levels of infrastructure, which will see further improvements as a series of ongoing and planned projects in the region reach completion.

Turkey and Russia will gain further importance as trade links with the Far and Middle East.



Antwerp is ranked among Europe's top logistics centers.

The report also notes the UK's industrial transformation, most notably in the East Midlands region where the production base has shifted away from coalmining to car assembly. Sunderland is now a car assembly platform due largely to investment from Nissan.

"The ongoing success of the Nissan plant in the northeast of England has seen it increase its share of global production and move up the value chain to produce vehicles at the premium end of the scale," Barnekow said. "Southern Europe is the only region with no clear competitive advantage in our analysis, be it in manufacturing or distribution. However, as highlighted by the report, this might change as some of these countries are seeing their cost competitiveness improve, partly on the back of structural reforms currently being implemented." **ACW**

Damco sees airfreight growth

Airfreight volumes showed rapid, above-market growth of 15 percent in the first quarter compared with last year's first quarter, Damco reported.

Damco's acquisition of Pacific Network Global Logistics in 2012's final quarter helped increase airfreight volumes.

The freight-forwarding provider reported a 6-percent increase in the first quarter's net revenue with a to-

tal of US\$773 million, compared to US\$728 million in 2012.

"Overall, our performance in Q1 has been satisfactory with solid growth in most products and underlying trading only slightly below 2012," Rolf Habben-Jansen, CEO of Damco, said. "In Q1, we made significant investments to adjust our business model in light of the changing market to make it more scalable and to enable further growth and profit

improvement in the years to come... In 2013, we will be taking some important steps forward in simplifying our business and further raising the efficiency of our operations. We are also planning to invest in growing our geographical footprint as we would like to be there where our customers need us to be in the future, which will mean expanding our network from around 350 to 600 offices over the next three years." **ACW**

Etihaad certifies WFS as PHP

Etihad Cargo has certified international ground handling services company Worldwide Flight Services as a Preferred Handling Partner.

The two-year PHP certification with WFS is focused initially on six Etihad Cargo stations: London, Brussels, Paris, Bangkok, Washington and Seattle.

"WFS is a leader throughout the aviation community, providing a broad array of quality and reliable ground services," David Kerr, Etihad Airways vice president cargo, said. "The Etihad Cargo-WFS PHP deal will standardize the product and service we jointly deliver, strengthen our network operations and will enhance the reliability and quality of ground handling services to our customers. It also raises the bar for other suppliers to join our Etihad Cargo PHP program."

Over time, Etihad Cargo plans to expand cargo operations with WFS to other destinations besides the initial six.

"We are proud to have attained the status of a Preferred Handling Partner of Etihad Cargo at major stations in Europe, North America and Asia," Olivier Bijaoui, president and CEO of WFS, said.



"We welcome a program that promotes high quality cargo handling procedures and world class service levels because it enables us to demonstrate the professionalism and consistency of our people and processes, and provide for on-going growth opportunities." **ACW**



Moussa Houssein Doualeh, head of cargo at Djibouti International Airport, has big plans for serving Africa's landlocked nations.

Djibouti Airport's big cargo dream

By John W. McCurry

Djibouti International Airport hopes to become a conduit for air cargo to Africa's landlocked nations. The airport in the tiny nation of less than one million people on the Horn of Africa took its ambitious plans to the Transport Logistic exhibition in Munich in June. It was the first time the airport had forayed into the world of trade shows.

DIA has big plans for expansion of its cargo infrastructure, and a new airport is scheduled to open in about four years. Airport officials hope that is enough to entice air carriers and logistics specialists to take a long look at Djibouti.

"We are looking for partners," Moussa Houssein Doualeh, air operations cargo manager for DIA, says. "This is our first trip as an airport. We are trying to catch the

rest of the world."

Djibouti's air cargo operation is small, just 3,000 tonnes per year. Doualeh hopes the exposure gained in Munich will send those numbers upward in the coming years.

DIA's facilities, in Doualeh's words, "do not answer all the requirements" for a significant cargo operation, but that will change later this year when a 4,000-sq.-ft. warehouse with cold storage capabilities opens. Long-range, the plans are more grandiose with a proposed US\$600-million project to develop a new airport about 15 miles from Djibouti City. The current airport has just one runway and handles only commercial and military aircraft. A nearby U.S. military base shares the runway.

Djibouti, with the fifth largest container port in Africa, already has a major sea cargo operation, and DIA officials envision development of a sea-air cargo model where products arrive at the Doraleh Container Ter-

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minal and are transported to the airport for flights into Africa's interior. The idea is to entice shippers to bring their sea cargo to Djibouti rather than Dubai.

"Come to Djibouti instead of Dubai," Doualeh says. "We want to develop a sea-air model and see how we can fit and connect with the landlocked countries in Africa. We want to find partners to bring shipments from the Far East to Djibouti and dispatch them to the landlocked countries."

Doraleh Container Terminal opened in 2009 and the Djibouti Ports & Free Zones Authority plans further expansion, which will accommodate three million containers per year by 2015. Port officials say this expansion will make the port the largest

container terminal on the continent.

Doualeh has talked with Emirates, Etihad Airways and DHL about development of cargo operations at DIA. He says he is optimistic these talks will be fruitful.

Doualeh cites Ethiopia and Nigeria as two significant landlocked markets that could be served with air cargo flights from Djibouti.

"Everything going to Ethiopia comes through Djibouti," he says. "Eighty million people are being fed by road. We are a very small country, but our seaport is one of the best in the region. We are trying to save time for the shippers, the transporters and the customers. We are working with the seaport to see how we can bring things along with this sea and air

movement."

DIA also envisions air cargo possibilities beyond Africa to Western Europe and the east coast of North and South America.

Doualeh says DIA is prepared to entice air carriers with reduced rates for landings and handling for the first six months.

He says cargo from the Far East takes 80 days to reach Lagos, Nigeria. Developing airfreight infrastructure in Djibouti would allow that time to be reduced drastically.

"It takes just three and a half hours from Djibouti to Lagos by 747. That's 100 tonnes straight away from Djibouti to Lagos," Djibouti says. "We need professional logistics people to set it up. The rest will come easy." **ACW**

Saudia Cargo adds freighters

Saudi Airlines Cargo is adding two B747-400 freighters to its fleet of charter aircraft.

Saudia Cargo's additions will form part of its fleet of 15, which includes four MD11s, two B747-8Fs, seven B747-400s and two B747-200 aircraft. Of these aircraft, 12 will be used for Saudia's scheduled freighter services, and three B747s will be used for the airline's charter business.

"The combination of our scheduled and charter activities enables us to offer our clients smart,

cost-effective solutions via our three hubs in Saudi Arabia," Peter

Scholten, VP commercial at Saudia Cargo, said. **ACW**



Dubai freight on the rise

Dubai International Airport has seen freight volumes grow, according to the April traffic report issued by operator Dubai Airports. Freight volumes increased by 7.3 percent to 199,985 tonnes compared to April 2012. The year-to-date cargo totaled 784,832 tonnes, up 11.5

percent from the first four months of 2013.

"It is very clear that our growth rate has picked up, and that should continue at a similar pace into the next quarter and beyond. Given the central role aviation plays in a country's GDP, this also bodes well

for the increasingly robust local economy," Paul Griffiths, CEO of Dubai Airports, said. "Accordingly, we are continually increasing capacity at Dubai International, the most recent example of which was the opening of the first phase of expansion at Terminal 2." **ACW**



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China Cargo Airlines joins SkyTeam

China Cargo Airlines, a subsidiary of China Eastern Airlines, became the 11th member carrier of the SkyTeam Cargo Alliance.

The airline officially joined during the Air Cargo Europe exposition in Munich.

"SkyTeam Cargo is a unique global cargo alliance with high growth and vibrancy and is highly recognized by its customer-focused freight products with uniform standards as well as its unique one roof program," Shan Chuanbo, senior vice president alliances of China Eastern Airlines. "CCA Joining SkyTeam Cargo Alliance is a strategic decision combined with the development plan of CCA against the backdrop of global air liberalization and alliance development. Joining SkyTeam Cargo will allow CCA to enjoy economy of scale benefits and enlarge its flight network, while upgrading its international competitiveness in compliance with the middle and long term strategic interests of CCA."

Chong Choy, vice president of alliances at Air France KLM Cargo and chairman of SkyTeam Cargo, welcomed CCA to the alliance.

"The members of SkyTeam Cargo are delighted to welcome CCA, China's first all-cargo airline operating dedicated freight services, as the newest member of our growing alliance," Choy said. "With the entry of China Cargo Airlines into the alliance, we have an unrivaled presence in the Greater China region, having already welcomed China Southern and China Airlines in the past few years. We are expecting stronger global synergy among members. Also, customers will be able to experience a wider benefit from our alliance." **ACW**



Asiana Cargo looks to revamp network

The precipitous fall of the yen this year, engineered in Tokyo to boost Japanese exports, caused some furrowed brows in Seoul, but the anticipated effect on shipments from Korea has failed to play out, at least so far. Economists and exporters had braced themselves for a marked drop in traffic, but to their relief, after 0.4 percent growth in April, Korean exports were largely flat in the first 20 days of May.

Still, the momentum had been stronger earlier on. Airfreight exports from Incheon rose 6.2 percent in the first three months of the year, giving rise to hopes that the Korean market had been revitalized. Nevertheless, Asiana Cargo opted for a defensive strategy this year. Like a few of its peers, it is trying to do more with less, which translates into a reduction in freighter capacity.

At the end of May, the airline was due to hand back a B747-400F, whose

lease was expiring, which reduces its freighter fleet to 10 owned 747-400Fs and one 767-300F.

"In this year, we are focusing on making a profit more than expanding volume. With the world economic recession, we need to concentrate on reading market trends and going into lucrative lines and products," H.E. Shin, vice president of cargo sales and marketing, says.

He adds that Asiana is not planning to expand its freighter network for the time being. Instead, routes are under the microscope to reassess their benefits. So far the carrier has not suspended any sectors, but demand on all routes is under constant scrutiny with a view to revamping the network, Shin says.

The withdrawal of one 747 freighter is mostly affecting the transpacific sector. However, there are no plans to pull out of any U.S. market that the airline serves with cargo planes.

"We will consolidate some routes in the U.S. Each city capacity will be decreased," Shin says.

Rival Korean Air has also been adjusting its transpacific capacity to bring it in line with demand, according to a KAL spokesperson. To cope

with the high fuel costs on the long transpacific sectors, the airline has placed a new 747-8 freighter as well as a 777-200F on routes to Atlanta and New York respectively, replacing older 747-400F aircraft.

Belly capacity will shoulder a greater share of Asiana's cargo this year, albeit not across the Pacific. Shin is upbeat on the carrier's new route to Jakarta, Indonesia, which kicks off on July 19, anticipating good demand for electronics and textiles.

Shin is looking to grow traffic through closer ties with forwarders, particularly agents with whom Asiana has global partnership agreements.

"We are trying to expand the volume with existing GPA partners and find new reliable partners," he says.

Service development is another key plank in Asian Cargo's growth strategy.

"The most important challenge in 2013 is to make it a profitable year. The air cargo market is not positive at present; the first thing we need to do is increase profit and survive in the

field. So we are trying to develop new products which will satisfy customers' needs," Shin says.

The drive has been captured in a slogan for the year: "We deliver trust." To reinforce it, Asiana Cargo changed some internal processes and enhanced capabilities to give customers proof of delivery and proof of transit information. Customers can see POD and POT information on Asiana Cargo's homepage or in their own system, and they can also access it on their mobile devices.

Status updates, as well as other functionality, have been extended to mobile apps.

"Asiana Cargo provides cargo reservation service, tracking and schedule information, etc. through our Android-based mobile application. In this year, every smart device (phone, tablet PC) user, including iOS-based devices, will be able to use Asiana Cargo mobile service with our newly upgraded application," Shin explains.

"We are trying to expand the volume with existing GPA partners and find new reliable partners."

— H.E. Shin

In terms of special handling, a new offering was unveiled March 1. Before Service, which is designed for high value traffic, assigns an individual load master to the shipment who checks every step of the process from cargo acceptance to flight loading, and the customer gets information on every milestone. At this point, the service is available only at the carrier's home base. According to Shin, initial responses have been positive. **ACW**

New Europe-Central Asia service focuses on fashion

A.R.T. Logistics has launched a new airfreight service connecting Europe to Central Asia in order to meet demand for imported European fashion products in Kazakhstan.

The new service of A.R.T. Logistics, a specialist logistics company focused on Central Asia, Mongolia and Asia, will move high-value goods from France and Italy to

Kazakhstan, Azerbaijan and Kyrgyzstan.

There are high growth rates in consumer spending on luxury items in many Central Asian countries.

"Our customers include leading global brand name jewelers and fashion companies who require secure, time-definite delivery of their products," Aliya Mussina, global airfreight manager for A.R.T. Logistics, said. "In

Kazakhstan for example, each item of jewelry has to be assayed, certified and stamped by the assay office. We provide bonded transportation to and from the airport."

A.R.T. Logistics works closely with international organizations such as CITES to gain approval for imported shoes and handbags to ensure no endangered species were used in the products.

"Imports of many of the products require multiple certification and coordination between different government departments. One error in the paperwork will delay the whole chain of approval and result in delays in delivering the



products," Mussina said.

The Asian Development Bank forecasts GDP in Kazakhstan to grow by 5.2 percent in 2013 and 5.6 percent in 2014. **ACW**

New engineering centers in the works for Boeing

Boeing is establishing new centers for engineering design, propulsion and out-of-production airplane support.

The engineering design centers will be in Washington, South Carolina and Southern California. They will work with the existing Commercial Airplanes engineering design center in Moscow.

The company is also establishing a propulsion operation in South Carolina to improve the performance of future airplanes.

In the next 20 years, there will be a market for 34,000 new airplanes estimated at \$4.5 trillion, Boeing predicts.

"Our opportunity for future growth is unprecedented, and this helps us be more competitive by building on our team's talent and capability – across Boeing, the United States and around the world," Mike Delaney, Boeing Commercial Airplanes vice president of engineering, said. "With these changes, we are structuring Boeing's engineering operations to support that growth, reduce business risks and to consistently provide the products and services our customers expect."

Boeing's new propulsion operation in South Carolina is part of "a thoughtful, disciplined approach to building our capability and capacity in integrated propulsion system design," said Nicole Piasecki, vice president and general manager of Boeing Commercial Airplanes propulsion systems division. "We intend to be the industry leader in this area. The propulsion South Carolina team will begin with the design and assembly of the 737 MAX engine nacelle inlet and expand strategically on future airplane programs."

The new Southern California design center will house engineering support for out-of-production airplanes.

"We will leverage the new Southern California design center to create a single location for out-of-production airplane support, enabling us to streamline processes and develop common practices," Lynne Thompson, vice president of Boeing customer support, said.

Boeing also is exploring development of a design center in Kiev, Ukraine to support the Boeing Design Center in Moscow. **ACW**



Anchorage eyes return to normalcy

By Adina Solomon

Ted Stevens Anchorage International Airport has been making news.

Since 2007, the cargo passing through the airport has fallen by 25 percent.

On May 22, more than 100 people attended a public meeting about the airport's plans for a new runway, according to *Alaska Dispatch*. Some raised concerns that the airport continues to plan expansion despite a weak economy taking its toll.

"The downturn in cargo that seems to be making a lot of news recently actually isn't new," John Parrott, airport manager, says.

After all, airports around the globe are also experiencing a drop in cargo. Despite Anchorage losing 25 percent, it consistently counts itself among the top five busiest cargo airports, according to Airports Council International.

"The air cargo industry right now is struggling," Parrott says. "It's attempting to adapt to the economic climate."

Besides the economy, he says "some

small incremental factors" also play a role in the airport's cargo decline.

The capacity of Boeing 777 passenger aircraft to carry cargo takes away from freighters.

"I suspect that some of that space is being used instead of putting things on dedicated freighters," he says.

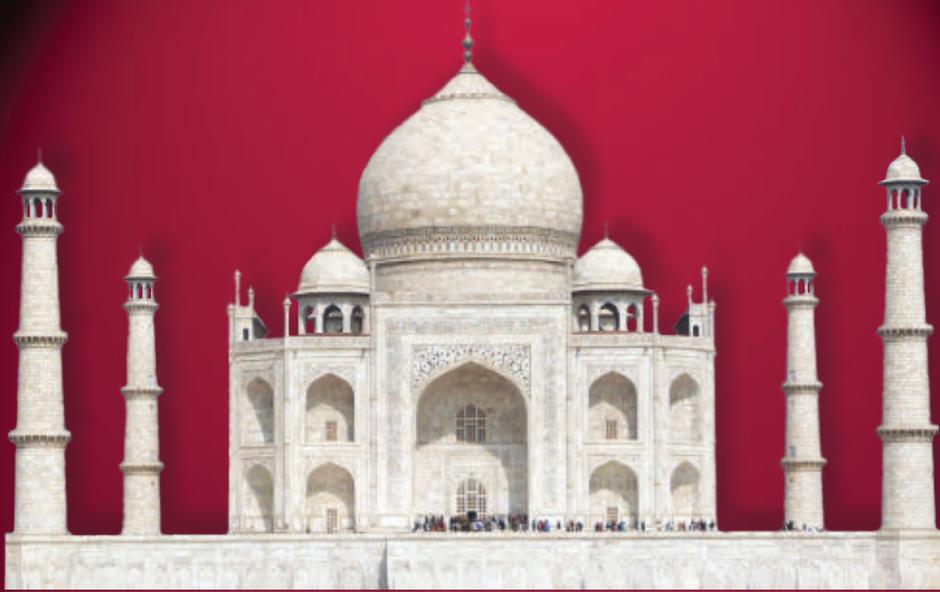
But he insists that a "fair amount" of the cargo going through Anchorage follows a different path.

"As an example, if you're shipping parts from the Hyundai factory in Korea to the Hyundai factory in the Southeast United States, you probably don't want to put that on five or six different 777s," Parrott says. "It's more efficient to just put that on one Asiana [Airlines] aircraft and fly it through Anchorage to the auto factory."

He says the decrease in cargo at the airport has had a minimal effect on Alaska because the state's small population doesn't consume a great deal of the goods that go through the airport.

"Most of the cargo that comes

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through here doesn't start or stop here," Parrott says. "It is transiting through Alaska on its way to Asia and the Lower 48 states."

And what about that new runway?

Parrott says the runway is one of the alternatives for the airport's long-term master plan.

"That's a master plan that's looking out 20 years in the future, and at some point in time, there may be a need for an additional runway," he says. "That's clearly not something we're looking at

at this point in time. That's simply a future alternative...It wouldn't make any sense to be seriously considering that when traffic is 25 percent down."

The airport now has about 211,000 operations per year; at the peak of 2007, it had about 23 percent more operations per year.

"We need a few years of steady growth to get back to the normal operations that we've already handled," Parrott says.

It is projected that the airport will

return to its previous levels of activity by the mid-2020s, perhaps a decade down the road, he says.

Planning efforts take anywhere from 12 to 15 years, which is why the airport is considering beginning the planning stages of a runway now rather than in the mid-2020s.

"It'll probably be prudent to take a look at our capacity," he says, "and see if we need to start the planning efforts sometime between now and then." **ACW**

Huntsville to open expanded runway for 747-800

By Adina Solomon

For the past year, one of the two runways at Huntsville International Airport has remained quiet from the whirr of airplanes.

This summer, the runway on the west side of the Alabama airport will re-open, looking a little bigger.

It's all to accommodate the Boeing 747-800.

"We'll be completely open, runways, taxiways, everything," Rick Tucker, executive director of Port of Huntsville, says. The Port of Huntsville includes the airport, which ranks No. 14 in the U.S. in international cargo.

Tucker says the US\$28-million expansion of the west runway and its taxiway system began because of Panalpina, which operates a hub in Huntsville and flies to Europe, Mexico and Asia.

Since Panalpina is such an important partner of the airport, Huntsville has tried to upgrade over the years to match the freight forwarding company's growth.

For instance, when Panalpina started using 747-400s, Huntsville expanded its runway to accommodate the size of the aircraft.

"We've tried to handle or address any deficiencies in our airfield operations to accommodate the changes in

that equipment as they've grown and expanded their operation," Tucker says.

A few years ago, Panalpina decided to start flying the 747-800, an even bigger plane than the -400. Now, eight out of Panalpina's nine weekly flights are serviced by 747-800s.

In order to address that change, Huntsville began a four-phase project to improve its two runways: first work on the west runway, the east runway, the west runway taxiway system and finally the east runway taxiway system.

First on the agenda was phases one and three, expanding the west runway and its parallel taxiway system, which the airport has worked on simultaneously for the past year.

"Our main goal was to shut down the runway only once," Tucker says.

The construction project began when Boeing and the Federal Aviation Administration started identifying airports around the U.S. that would be handling the 747-800, which is categorized as a group VI aircraft due to its size.

"Now that we've got these new group VI airplanes coming into the system, worldwide and in the U.S., what are going to be the new standards for your airfield based upon



Rick Turner

the requirements of these bigger airplanes?" Tucker says. "We looked at our entire airfield, west runway and east runway."

Huntsville Airport got the money to start on phase one of the project, which was upgrading the west runway. It began phase three, the west runway taxiway system, after the Airport Improvement Program, a U.S. federal grant program, gave Huntsville additional discretionary money.

Now that the west side is almost completed, next is the east side.

The airport looks to the FAA's FY 2014 funds to pay for the east runway. It may take another year after that to get the money for the east taxiway system. **ACW**

Aloha Air Cargo builds new cargo facility

By Adina Solomon

Aloha Air Cargo is moving. The airline is consolidating cargo operations, aircraft maintenance and support services under one roof at its new air cargo facility at Honolulu International Airport, Aloha Air Cargo's hub.

"For us, it definitely streamlines our operation," Michael Orozco, director of sales and marketing at Aloha Air Cargo, says. "It's a long time coming."

The airline has been in its old facility for 30 years, and it was never meant to be permanent, he says.

The cargo facility is 66,000 square feet and will provide quicker access to refrigeration and the warehouse. The facility is projected to be complete at the end of the first quarter of 2014. Until then, operations will remain unaffected.

The facility will help the airline as it expands outside Hawaii. Though Aloha Air Cargo moves about 70 percent of all the air cargo in Hawaii,



Orozco says the state's market remains stagnant and competition continues to increase.

That's why Aloha Air Cargo is opening lanes to the U.S. West Coast and looking at the possibility of a charter flight from San Francisco or Los Angeles, he says.

"This new facility, its layout will only lend to our growth. We're primarily a local cargo operation that ships freight interisland within the state. But there's so much opportunity outside of the state," he says. "This facility will allow us to have the

resources and the process flow that will lend to our expansion outside of the state."

The facility will cost \$12 million to build, Orozco says. Though it is part of the Hawaii Airport Modernization Program, a government program to improve the state's busiest airports, Aloha Air Cargo is funding the entire project.

"That's good because that's our testament to not only our employees and our operation as a whole but to the state of Hawaii that we're in it for the long haul," Orozco says. "We're not going anywhere." **ACW**

Alaska Air Cargo delivers season's first salmon

Alaska Air Cargo delivered the season's first shipment of Copper River salmon to Seattle-Tacoma International Airport.

The arrival of the fish marks the start of the summer salmon season, a time that seafood lovers look forward to.

The Alaska Airlines plane arrived with Copper River king and sockeye salmon from three seafood processors: Ocean Beauty Seafoods, Trident Seafoods and Copper River Seafoods.

"We're proud to be the first to bring wild and sustainable Copper River salmon to seafood lovers across the country, in many cases within 24 hours after the fish is caught," Betsy Bacon, managing director of Alaska Air Cargo, said. "With so much



demand for sustainable wild Alaska seafood, airline crews in South-Central and Southeast Alaska will kick into high gear to ship more than 2 million pounds of salmon across our

95-city network."

Other Alaska Airlines flights will transport salmon from Cordova, Alaska, to Anchorage, Seattle and across the U.S. **ACW**



TAKING ADVANTAGE

More low-cost carriers add cargo

By John W. McCurry
jmccurry@aircargoworld.com

Low-cost air carriers are increasingly turning to cargo to take advantage of available capacity and increase bottom lines. Many carriers report that business is thriving during a difficult time for the industry. Several carriers recently added cargo operations and are likely to be joined by others.

"There's no question about it," says Barry Nassberg, group COO of Worldwide Flight Services, which provides cargo-handling services for numerous low-cost carriers around the globe. "There's a tremendous opportunity for them, and anyone not presently doing it should be looking at it. Whether you go the outsourcing model or whether you take it in house, it's a worthwhile investment. Any CFO of a low-cost carrier that is presently not carrying

cargo is probably putting pressure on their company to do so."

Nassberg says low-cost carriers are increasingly realizing the potential for their empty belly space and are exploring how to adjust their structure to take advantage of it.

One of the latest low-cost carriers to enter the cargo realm is Norwegian, which announced in April that it would create a new cargo company, Norwegian Cargo AS. The new company will serve the airline's entire route network with more than 120 destinations.

"We have always carried a little bit of cargo in the Scandinavian market, and especially domestically in Norway, our biggest market," Bjørn Erik Barman-Jenssen, director of ground operation and in-flight services, says.

"We had a cooperation with JetPack, our GSSA, for short-haul operations. When entering into long-haul operations, we obviously needed to use the capacity available to boost the revenue of the flights. That's the main reason for establishing the cargo company."

Norwegian entered the long-haul market May 30 with a flight from Oslo to New York's JFK Airport. The airline also plans flights to Fort Lauderdale, Fla. and Bangkok.

"We are looking for more long-haul aircraft. The plan is to operate between 15 and 20 long-haul aircraft, not necessarily from Scandinavian bases," he says.

flydubai is another relative newcomer to the cargo side, having launched its operation Jan. 1, 2012.

The airline has been expanding ever since. This includes rapid developments in underserved markets in the CIS and Eastern European regions

“So far this year, we have announced 14 new routes compared to nine in 2012,” Mohamed Hassan, head of cargo, says. “We have also received two new aircraft with four more to come in 2013 to service these additional destinations. Demand remains for both affordable travel and cargo services, enabling people and goods to reach their destination via a single flight.”



Wally Devereaux

two U.S.-based low-cost carriers that have been in the cargo business for a long time. Both say they have advantages over legacy carriers.

Wally Devereaux, Southwest Airlines' senior director of cargo, says Southwest approaches cargo a little differently than the legacy carriers and other low-cost carriers.

“We are a bit more restrictive in what we carry,” Devereaux says. “We carry no live animals, no mail and no hazardous cargo. We transfer cargo from tail to tail, and that allows us to



Barry Nassberg



Bjørn Erik Barman-Jenssen



Carl Shipsky

Hassan says flydubai Cargo's first year of operations exceeded its expectations, uplifting 2,100 tonnes a month by year-end compared to its 1,500-tonne target. The airline is on track for a successful 2013, he says.

flydubai also recently launched service to Russia. Hassan says it has been well-received with customers booking the entire capacity for six months.

“By opening up previously underserved routes with direct flights to Dubai, we are creating new avenues for business,” Hassan says. “Having goods transported via Moscow meant that all items needed a long shelf life, but with our direct services to Kazan[Russia] and Samara[Russia], for example, a wide range of cargo, particularly perishables, can now be sent via airfreight.”

Hassan says flydubai's advantages include its high frequencies around



Sathis Manoharen

the Middle East and being the only operation to many airports in the CIS, Central Asia and Eastern Europe.

“Facilitating rapid and affordable shipping has encouraged new business links, particularly for perishable goods,” he says.

Southwest Airlines and JetBlue are

fully maximize our flight schedule. We transfer everything like we do baggage.”

Devereaux says the 2011 acquisition of AirTran is a boon for Southwest's cargo operation, providing new routes and capacity. The integration process is ongoing and will eventually give Southwest access to markets in Mexico and the Caribbean.

“It allowed us access to new cities including Atlanta, Charlotte and San Juan, Puerto Rico,” he says. “It also gave us additional lift in key markets like New York at LaGuardia, Boston and Fort Lauderdale. We've got more than 400 new flights that cargo can utilize. That's a tremendous amount of additional capacity.”

Southwest's number of flights rose to 3,600 with the acquisition.

Southwest's primary challenge, Devereaux says, is dealing with the diffi-

cult economy. Shippers are opting for less-expensive shipping options.

"We don't expect the trend to change much until we see improvement in the global economy," he says. "We are working on some technical initiatives toward improving our point-of-sale system and implementing a booking system."

Devereaux says that while the U.S. airfreight market is stagnant, Southwest is seeing positive results in perishables and health care.

JetBlue Cargo handles freight in the 41 cities it services with a maximum weight of 230 pounds per piece. Cargo ranges from automotive parts to perishables. No hazardous materials are hauled.

"We approach cargo as a means to generate ancillary revenue," Carl Shipsky, the airlines' manager of system cargo sales, says.

Cargo business is good at JetBlue. The airline forecasts double-digit growth in 2013. Shipsky attributes the growth to JetBlue gaining relevance in the market and to route expansion.

ary spending is still pretty prevalent," Shipsky says. "We see very strong demand for some of the perishable products that we move."

Shippers often turn to JetBlue for overnight transportation for next morning deliveries, Shipsky says.

"We are in the cargo market to stay," Shipsky says. "Our executive leadership team takes cargo very seriously, as we do on the cargo team. It will be an important part of our business going forward."

Sathis Manoharen, regional head of cargo for AirAsia and its sister airline, AirAsia X, says business is "as good as it can be," citing the company's 47 percent growth in tonnage during the first quarter of 2013 compared to the same period in 2012. Both Air Asia, the company's narrow-body operations, and AirAsia X, its wide-body operations, are achieving double-digit growth in tonnage and yield.

"Being positioned in the heart of Asia has its economic advantage," Manoharen says. "While I can't speak



Mohamed Hassan

A320 planes and 11 A330s with four more to be delivered by the end of the year. Single-item cargo limits for the airlines' narrow-body A320 is 187.4 pounds and 9,656 pounds for its wide-body A330 planes.

Nassberg says low-cost carriers typically have plenty of capacity and offer advantages over legacy carriers.

"They provides shippers with a lot more flexibility and in some cases, it becomes competitive with road traffic, say in Europe," Nassberg says. "We are doing quite a fair amount of cargo handling for low-cost carriers. Typically, they have capacity because in many cases they haven't been exploiting that as an area of activity."

Low-cost carriers typically carry less baggage than traditional airlines because of the restrictions and fees they charge for additional pieces, Nassberg says. These carriers generally have frequent flights to their destinations and broad networks.

Worldwide Flight Services has one station that exists strictly to serve low-cost carriers. That's at the old Don Muang Airport in Bangkok. It recently reopened as a low-cost carrier airport. WFS was awarded the contract to service carriers.

"Any new low-cost carriers that want to serve Bangkok have to go to that airport and cargo will be handled by us," Nassberg says. "We also do cargo handling at the main airport in Bangkok, which is one of our biggest stations." **ACW**



Southwest Airlines' acquisition of AirTran is providing access to new cities.

Cargo is performing especially well in gateway cities such as New York, Boston, Seattle, Fort Lauderdale and Anchorage.

"We still think that we will continue to expand our route network. With the impending American Airlines/US Airways merger, there is still some market share we feel we can grab. We are pretty bullish on the end of 2013 and going into 2014. Some discretion-

about other low-cost carriers as not many have cargo as a business unit, certainly very few are as aggressive as us. The advantages we offer from value-drive perspectives are unrivaled frequencies, competitive cost structure and innovation initiatives in the way we execute our processes methodically. The key advantage is the competitive cost structure."

The airline's fleet consists of 120

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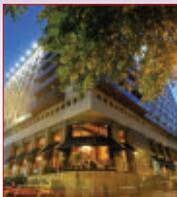
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CONFERENCE DAY ONE

08.00 REGISTRATION OPENS
09.00 CHAIRMAN'S OPENING REMARKS
09.15 COAG: ONE YEAR ON
10.00 A HEALTHY COOL CHAIN
10.45 BREAK FOR REFRESHMENTS AND VIEWING OF EXHIBITION
11.15 BRIGHT SPOTS AROUND THE WORLD
12.00 WHAT THEY REALLY, REALLY WANT
12.45 BREAK FOR LUNCH AND VIEWING OF EXHIBITION
14.15 SYSTEMS UPDATE
15.00 QUALITY, STANDARDS AND STANDARDISATION
15.45 BREAK FOR REFRESHMENTS AND VIEWING OF EXHIBITION
16.15 CRISIS? WHAT CRISIS?
17.00 END OF DAY ONE
19.00 GALA DINNER

CONFERENCE DAY TWO

09.15 OPENING REMARKS FROM THE CHAIRMAN

WORKING GROUP SESSIONS
09.30 AIRLINES: WHAT ARE AIRLINES DOING TO FURTHER IMPROVE AIR CARGO HANDLING QUALITY AND EFFICIENCY?
10.00 SHIPPERS & FORWARDERS: WHAT ARE SHIPPERS AND FORWARDERS DOING TO IMPROVE THE AIR CARGO HANDLING CHAIN?
10.30 BREAK FOR REFRESHMENTS AND VIEWING OF EXHIBITION
11.00 CARGO HANDLERS: WHAT ARE HANDLERS DOING TO IMPROVE AIR CARGO HANDLING QUALITY AND EFFICIENCY?
11.30 AIRPORTS: WHAT ARE AIRPORTS DOING TO IMPROVE AIR CARGO HANDLING QUALITY AND EFFICIENCY?
12.00 WORKSHOP WRAP-UP
12.15 COAG REVIEW
13.00 FINAL WORDS FROM THE CHAIRMAN
13.15 LUNCH - CLOSE OF CONFERENCE

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09.15 COAG: ONE YEAR ON
10.00 THE WEAKEST LINK
10.45 BREAK FOR REFRESHMENTS AND VIEWING OF EXHIBITION
11.15 MANAGING EMERGING MARKETS
12.00 VISIBLY BETTER
12.45 BREAK FOR LUNCH AND VIEWING OF EXHIBITION
14.15 RESPONDING TO MODAL SHIFT
15.00 FOOD FOR THOUGHT
15.45 BREAK FOR REFRESHMENTS
16.15 MOVING FORWARD
16.45 CLOSING WORDS FROM THE CHAIRMAN
17.00 END OF CONFERENCE

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CHINA'S CARGO PATH

BUILDING UP THE HINTERLAND

Faced with lackluster growth in the established Chinese gateways, carriers have been ramping up their presence in the emerging hubs in the interior. However, even there profits are elusive.

In April, Silk Way Airlines began a weekly freighter service linking Frankfurt-Hahn Airport in Germany with Zhengzhou via its home base in Baku, Azerbaijan with B747-400F equipment. The same month saw the start of B777-200F service by China Southern Airlines from Shanghai over Zhengzhou to Chicago. Barely a month earlier, the Guangzhou-based airline had launched twice-weekly flights with B777-200 freighters from Zhengzhou over Guangzhou to Los Angeles. Also in March Cathay Pacific started twice-weekly B747-400F runs into Zhengzhou, having launched freighter flights to Chengdu, China and Chongqing, China earlier on.

Buoyed by the influx of international freighter operators, Zhengzhou has clocked up strong growth in throughput. In the first quarter of this year, the airport's volumes were up 39.4 percent, the fastest growth rate among Chinese airports. To accommodate projected growth, the airport authority embarked on an expansion

drive December 2012 after it had received the green light for its plans to develop an on-airport economic zone to build its logistics business and establish itself as a key gateway for international cargo flows. The expansion will boost its capacity to 580,000 metric tonnes per annum.

As in the emerging gateways of Chengdu and Chongqing in Sichuan province, the electronics industry, led by Foxconn churning out products for Apple, has been the chief driver of Zhengzhou's airfreight throughput. The automotive sector has been another engine of growth, albeit less than in Sichuan. Most of Zhengzhou's automotive traffic moves by surface transportation, says Gerhard Blumensaat, director of airfreight, Central China at logistics company DB Schenker. He adds that inbound flows of auto parts may take up more airfreight lift, but this should take a few months to gather momentum.

More capacity is poised to enter the rising hubs of Sichuan and Henan.

"We will further beef up our presence in Zhengzhou and Chongqing," Titus Diu, COO of Air China Cargo, says.

On the other hand, the airline is going to retire its 747-400 Combi aircraft before the end of this year, which will mark the end of its main

deck presence in Chengdu. In terms of belly hold lift, the airport will receive more international capacity in September, when IAG is due to start passenger flights to London, operating three days a week with B777-300ER aircraft.

Forwarders have had no difficulty finding lift out of the rising gateways in China's interior, usually at low rates.

"The market is highly competitive, not to say like a bazaar," Blumensaat notes.

James Woodrow, general manager of cargo sales and marketing at Cathay Pacific, says Zhengzhou, Chongqing and Chengdu have been difficult for airlines.

"All three are very challenging. Export demand is volatile, and imports are currently still very low. This makes it very tough to make money on these routes; longer-term incomes in these areas will continue to grow and with that, import volumes. In the meantime, business remains a challenge," he says.

Somewhat ironically, there have been bottlenecks on the import side, both from North America and Europe. These were caused by ad hoc cancellations of intercontinental freighter flights by Chinese carriers in

response to insufficient loads on the export side.

“The Chinese carriers tend to focus heavily on one-way traffic. They are not so strong on selling out of the U.S., so if their exports are light they are more inclined to cancel flights,” Shawn McWhorter, president for the Americas of Nippon Cargo Airlines, says.

The sluggish global economy has taken its toll on China’s airfreight growth.

“Everyone’s volumes are down. Airfreight volumes are very static,” Andrew Jillings, CEO of Hong Kong-based logistics firm Tigers, says.

But there have been signs of growth. Both HACTL and PACTL, the main handlers at Hong Kong and Shanghai, reported increases in throughput for April and their cumulative volumes for the first four months of the year are up on the same period in 2012. On the carrier



side, China Southern’s FTKs rose 6.2 percent in the first quarter, while tonnage was up 6.4 percent.

“We care cautiously optimistic,” Li Yi, a spokesperson for the airline, says.

The large Chinese carriers have used the slowdown to revamp their line-ups. China Eastern has taken steps to consolidate its cargo holdings under its Shanghai Eastern Logistics subsidiary as the holding firm for China Cargo Airlines and is in the process of overhauling its freighter fleet. The MD-11 and A300 freighters have been taken out of service, reducing the all-cargo fleet from 19 to 13 units.

Air China Cargo is also whittling

down its freighter fleet, having taken steps to say goodbye to the 747-400BCFs. With two already sidelined and another two units that are leased to be returned to their owners in July and October, the line-up is shrinking from 11 to seven freighters this year. The remaining 747-400BCFs will exit the fleet as the airline takes delivery of altogether eight 777-200Fs ordered earlier this year, of which the first is due to arrive by the end of this year. By late 2015, Air China Cargo will have 11 freighters again – eight 777s and three production 747-400Fs, Diu says.

Another key focus for him in the months ahead is going to be the migration to a new cargo system, which is supposed to give the carrier better capacity control and forecasting capability.

“With this, we can catch up to Cargo 2000,” Diu says.

He adds that management intends to have the system in place in the fourth quarter, just before the first 777 freighter joins the fleet.

China Southern is due to take delivery of two 777 freighters this summer, with another four due next year. This year’s additions will be used chiefly to develop traffic between Guangzhou and Frankfurt, according to Li.

Transpacific lift is not likely to see a major boost. For Air China Cargo, the emphasis in the intercontinental arena this year is on Asia-Europe; the reduction of main deck capacity plays out mostly on the carrier’s North American routes, which are more

painful with the 747-400BCFs. The network remains unchanged, but frequencies are cut back while the fleet is down to seven planes.

With their nose loading capability, Air China’s 747 production freighters have been earmarked for charter work but in the main they are deployed on intra-Asian sectors, such as Shanghai-Taipei, Diu said. For China Southern Cargo, the intra-Asian arena is also a major focus. Last summer, the airline launched its first regional freighter route, fielding a 747-400F between Shanghai and Osaka.

“If the market shows an upward turn in the future, we plan to open an all-cargo route from China to Japan. We would like to take this opportunity to optimize our all-cargo airline network, combine a short China-Japan route with a long China-North American or European route,” Yi says.

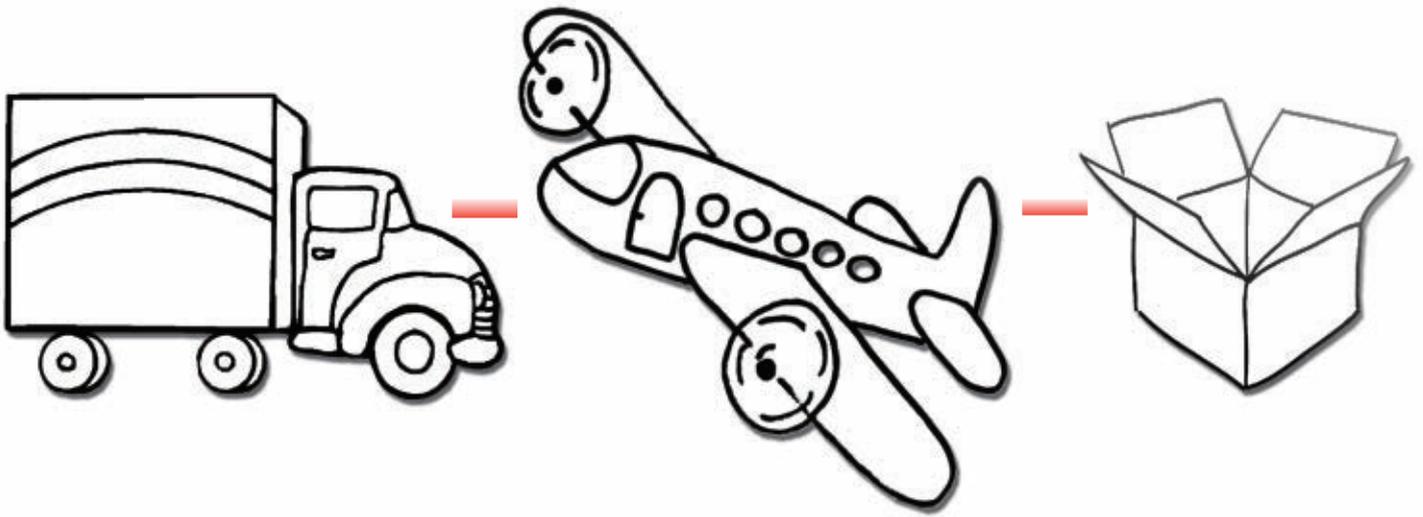
Down the road, the traditional long-haul sectors will lose ground to emerging routes, some operators predict.

“Europe and North America won’t be the core markets anymore. Asia-Pacific, Middle East, Africa, Latin America will be in great demand. Air cargo carriers should keep pace with the market changes to stay alive,” Yi says.

On China Southern’s doorstep, a host of aspiring airports are pushing hard to join the likes of Zhengzhou, Chengdu and Chongqing. Nanchang Airport in Jiangxi, China extended its runway last year and added a cargo terminal designed to handle 120,000 tonnes. Hangzhou airport, which tries to position itself as an alternative or spillover airport to Shanghai Pudong 100 miles away, completed its expansion project last year, adding a second runway and boosting airfreight capacity to 805,000 tonnes. Changzhou Airport in Jiangsu province plans to establish an aviation industrial park that will be dedicated to the development of aviation-related high-end manufacturing and related services.

Blumensaat has Xian on his radar.

“That is probably the next one down the line,” he says. **ACW**



CARGO THEFT

Mitigating risk requires game plan

By Adina Solomon

asolomon@aircargoworld.com

Look up how many air cargo thefts happen per year worldwide.

You won't find the answer.

You will find news stories such as the 3,600 iPad minis that were taken from JFK International Airport in November 2012, or the cargo that was stolen and thrown over the perimeter wall at an Indian airport in April 2012.

Cargo security professionals interviewed say air cargo is the most secure mode of transportation, in terms of theft, because of the difficulty of stealing cargo midair.

But airfreight isn't always in the air.

Trucks often take cargo to the airport. That cargo may sit around before or after a flight, sometimes unattended.

That's where air cargo is most vulnerable to theft.

"Our industry, transporting high value goods as we do, is a potential target," Oliver Evans, chairman of The International Air Cargo Association, says.

'A system that actually works'

Cargo travels through many hands: airlines, ground handlers, trucking companies.

That's why it must have a chain of custody, Walt Beadling, managing partner at logistics security company Cargo Security Alliance, says.

"What that means is at any point in time, you know who has a particular piece of cargo, whatever it may," Beadling says. "You may not know where it is, but you know who has responsibility for it. And at each point where the cargo's transferred, there's a handoff, a formal handoff, where custody is transferred from one entity to another."

Erik Hoffer, vice president of CSA, says someone must design a logistical plan in order to create that chain of custody and have as few handoffs as possible.

"There's always going to be that one point where nobody's watching the store," he says. "Without having the ability to have a chain of custody throughout the different modalities, you're not going to get anywhere. You're just going to have a problem always."

Most air cargo theft happens during these points of consolidation, JJ Coughlin, chairman at Southwest Transportation Security Council, says. Coughlin published a book called *Car-*

go Crime: Security and Theft Prevention in 2012.

"When it's in the plane flying is the safest it gets," he says. "When it's being handled at those points of consolidation is when it's as risky as it gets."

He says in order to fight theft, document each point of handling.

"If you take care of the small things, the process and the procedure, and you do things correctly as far as the freight handling, it makes your security issues a whole lot easier to resolve," Coughlin says.

Hoffer says without a plan to create a chain of custody, the carrier or trucking company doesn't know that a box contains valuable cargo, and they may not protect it in the appropriate way.

"The further into the supply chain you get with the less people have knowledge of what to look for and what to do, the whole system continues to break down further and further," Hoffer says.

That's why the owner of the cargo needs a game plan.

"If he can establish how to do it and it can be implemented by the receiving carrier, then by the receiving airline, then by the delivering carrier,"

Hoffer says, “now you have a system that actually works.”

It is also imperative to screen anyone who handles cargo.

Coughlin estimates that 85 percent of the theft that happens during consolidation is internal.

Evans, who is chief cargo officer at Swiss International Airlines, says companies should screen warehouse and office staff and anyone else involved in the supply chain. Employers typically check police background, he says. Evans also stresses the importance of screening staff as they enter and leave the premises.



Thorsten Neumann

People can secure the supply chain by choosing business partners with care.

Charles Forsaith, Providence, R.I.-based director of supply chain security at Purdue Pharma Technologies, ensures the security of one of the company’s principle products, a sought-after opioid pain medication. The ingredients for the medication mostly come from Tanzania, Spain and Turkey.

In order to bring the raw materials into the U.S., the company uses air-freight almost exclusively.

Forsaith, also chairman of the Pharmaceutical Cargo Security Coalition, says Purdue, along with many in the pharmaceuticals industry, complies with U.S. Customs law by vetting all business partners. Forsaith interrogates people Purdue does business

with at least once a year and also visits businesses physically.

He says the best approach to preventing cargo theft is a layered one.

“That layered approach doesn’t put all your chips on one square. Much like U.S. Customs requires, it says you need to know who it is you’re doing business with. You need to know what airline it is that’s going to fly your product. You need to know exactly how your product is being packaged or stored,” he says. “You have to physically go out and meet with these people, check those facilities, pay attention to the security that’s involved



Erik Hoffer

in the warehousing or loading of that aircraft and how it’s unloaded on the other end.”

Keep on trucking

Chain of custody, points of handoff and consolidation, layered approach – all these phrases point to the fact that air cargo goes through many people and entities before it reaches its destination.

Trucking companies are usually involved. If you want to talk about air cargo theft and security, you need to talk about truck security.

“Even if you handle your cargo as air cargo, the majority is still transported at the end of the leg or the beginning by truck,” Thorsten Neumann, Germany-based chairman of the Europe, Middle East, Asia region for the Transported Asset Protection

Association, says. “This is clearly the weakest link within an end-to-end supply chain solution.”

TAPA provides a forum for its more than 300 member companies to converse about cargo security.

Beadling says knowing where to route trucks helps deter air cargo theft.

Neumann says logistics companies’ low margins present one of the biggest security hurdles.

“Many companies still do believe that security is purely a cost factor,” he says, “but if you take really a look and calculate your investment on security and compare that with non-



JJ Coughlin

secured trucks or non-secured routings, you will see that your returns in investment are tremendous.”

Cargo at rest

The saying goes that cargo at rest is cargo at risk.

Hoffer says thieves are less likely to snatch high-value cargo than general cargo because logistical hubs keep jewelry, cash and documents in cages. People take the general cargo that sits unattended, he says. He points to the iPad mini theft at JFK as an example of unattended cargo.

“If the cargo is at some intermediate point for any length of time, when it’s sitting, it’s vulnerable,” Beadling says.

Coughlin says air cargo is at the greatest risk for theft when it sits on the tarmac.



Oliver Evans

This presents a problem in Africa, Neumann says, where in some areas, the process flow is not controlled or even structured. He says high-value products can sometimes be stalled for days on the tarmac because of a lack of infrastructure.

It all comes back to having a well-planned supply chain for air cargo.

“Having an efficient and secure supply chain, those things go hand in hand because if it’s always moving, then the chance that something’s going to go wrong with it are minimized,” he says.

‘Beyond the loss of dollars’

Theft also presents another dilemma. If someone can get access to the cargo in order to steal it, that person can also put unwanted objects in the freight.



Charles Forsaith

Coughlin tells of an incident where a cargo airline employee worked with drug smugglers to place pallets of marijuana into the airline’s system. The employee moved 15 or 20 of those pallets using a customer’s account.

“If you don’t control the freight handling, whether it’s theft or smuggling, it can easily happen,” Coughlin says.

But it can go further than drug smuggling, as the Yemen bomb plot in 2010 showed.

“I think it’s a real problem,” Hoffer says. “If that happened before, it can certainly happen again, and there has to be something in place where cargo in general terms has some mandate to be able to have an inspectable template for it so cargo that is moving through the supply chain can be



Walt Beadling

looked at by every inspector.”

Beadling says since the Yemen incident, the scrutiny of air cargo security has improved, but Hoffer says more improvements must be made.

“My fear is really not as much the theft, but it really is on the other end when you have terrorists out there who find a way to get into cargo,” Hoffer says. “Now you’re talking about a serious problem way beyond the loss of dollars and cargo.”

Securing the chain

In order to prevent airfreight theft, Beadling talks about supply chain design, physical security and information sharing, such as knowing where the cargo is in real time and the identity of people handling the cargo.

Evans says the connected nature of the supply chain, with each company collaborating with another, makes it necessary for everyone to screen staff and choose partners carefully.

Neumann says many companies believe that if they experience a security issue, it must remain confidential. But theft and security aren’t company-specific issues – they affect the entire supply chain.

“Security is everyone’s responsibility,” Neumann says. “Security should not be a competition within our industry because we all face the same challenge every single day.” **ACW**



JFK International Airport



Ruwantissa Abeyratne is a former senior legal officer at ICAO

LITHIUM BATTERIES AND SAFETY – THE LEGAL FALL OUT

Many of us remember the 1973 crash of a Boeing 707 freighter at Logan International Airport in Boston, killing all three crewmembers onboard. It crashed when smoke from a fire became so intense that the crew could no longer maintain control. The cause of the fire was a reaction between nitric acid and sawdust, which was used as packaging material. The nitric acid was improperly packed, there was no indication that the crew knew what had been loaded on the aircraft and those involved had no training in dealing with dangerous goods. In short, the shipment was not transported safely.

ICAO and the Universal Postal Union work together to establish a system that would allow lithium batteries contained in equipment to be sent by airmail safely and legally.

Another ominous and sobering reminder was the ValuJet disaster. On May 11, 1996, the crash of ValuJet Flight 592 in the Florida Everglades emphasized the compelling need for dangerous goods regulations. One-hundred-and-ten people lost their lives that day when a fire, initiated by chemical oxygen generators which were improperly prepared, packaged and indentified, caused the aircraft to crash into the ground.

The broad principles governing the international transport of dangerous goods by air are contained in the Convention on International Civil Aviation. Amendments in the 2015-2016 edition will include specifications on the transport of lithium batteries. This follows in the footsteps of a new special provision and packing instruction adopted by a UN Sub-Committee of Experts in December 2012.

Lithium batteries pose significant dangers during transport if they are damaged or if they are not properly packaged, designed or manufactured. They are therefore classified as dangerous goods. The International Civil Aviation Organization deals with two types of lithium batteries: those contained in equipment in airmail, and those that are exempt from most of the dangerous goods regulations.

ICAO and the Universal Postal Union work together to establish a system that would allow lithium batteries contained in equipment to be sent by airmail safely and legally. At the same time, they provide a mechanism for controlling the introduction of all dangerous goods in the mail, not just lithium batteries.

Liability for damage caused by improperly packed or negligently transported goods would lie, at least in common law, on the shipper in the former instance and the carrier in the latter. The UK's Corporate Manslaughter and Corporate Homicide Act of 2007 provides that an organization is guilty of an offense if the way in which its activities are managed or organized causes a person's death, and amounts to a gross breach of a relevant duty of care owed by the organization to the deceased. An organization that is guilty of corporate manslaughter or corporate homicide is liable on conviction to a fine. Although this act only applies in England, Wales, Northern Ireland and Scotland, it has had persuasive authority in other common law jurisdictions.

Criminalizing corporate activity is one point; ensuring safety of air travel is entirely another. The bottom line is that responsibility for safety in air transport lies with each country. Countries should make sure that those involved in cargo transport comply with both ICAO specifications and national regulations. **ACW**

(Editor's note: Ruwantissa Abeyratne has worked in aviation management for 30 years. He is former senior legal officer at the International Civil Aviation Organization where he worked for 23 years. He contributes regular commentary to Air Cargo World on legal issues affecting the industry.)

Five Questions with... Huang-Hsiang Sun

Huang-Hsiang Sun is the new chairman of China Airlines. Sun joined the airline in 1970 and became president in June 2008. He recently answered questions submitted by Air Cargo World about the air cargo industry's and China Airlines' future.

1. What is the outlook for the air cargo industry?

Overall speaking, we see a 3 percent year over year growth from 2012 through 2016 in line with the [International Air Transport Association] five-year tonnage forecast. On the demand side, we believe this reflects a slowly recovering market in many regions, and we believe the European market, which is lagging other regions, will return to a growth track within the next few years. Fuel price is also a key consideration in the air cargo market, and yet we see no signs of a price drop. Considering all these factors, we believe the market for carriers will remain challenging in coming years.

2. What role does China Airlines play in the country of China's growing market?

China Airlines currently serves 24 destinations in China. In June 2013, China Airlines plans to add Ürümqi, Lijiang and Weihai, where it will be able to load cargo in the belly. In addition, we offer freighter services at five destinations approved by the governments of China and Taiwan: [Shanghai Pudong International Airport], [Guangzhou Baiyun International Airport], [Nanjing Lukou International Airport], [Xiamen Gaoqi International Airport], and [Chongqing Jiangbei International Airport]. This gives China Airlines an opportunity to capture a share of the growing cargo market between Taiwan and China. In combination with our global network, cross-strait services also provide an extensive air network for cargo going in or out of China via Taiwan.

3. What are some of the latest air cargo technology trends you have observed?

China Airlines has been working on E-freight since 2009, and the service has become increasingly popular with our cargo customers. This year, with the introduction of the IATA Multilateral e-AWB Agreement, airlines and freight forwarders can start to implement e-AWB without costly and lengthy legal process. As a result, E-freight will move forward smoothly and rapidly. China Airlines is in favor of this initiative and will sign the agreement accordingly. Security is also a crucial component of the air cargo supply chain. Regulators, IATA and air transportation related parties are all involved in e-security developments, such as e-Consignment Security Declaration, and U.S. Air Cargo Advance Screening. With these industry-wide security enhancements, China Airlines is confident of providing more secure airfreight transportation. From product perspective, we also see more and more temperature-sensitive being transported by air. To make ourselves more competitive, we have already introduced Envirotainer



Sun

into our system to provide active cooling transportation to shippers with temperature-controlled containers from the time of loading on their premises, en-route, and all the way to the warehouse at the final destination. In addition, GPS devices capable of tracking temperature, humidity, shock and

pressure during the whole transportation cycle are now available and applied in the airfreight industry without jeopardizing flight safety. In the near future, China Airlines will allow customers to carry this monitor device along with their sensitive shipments in the air. Mobility is also a very important subject for airlines in both the passenger and cargo businesses...Our cargo customers are now able to use smart phones to retrieve various information, such as flight movement and cargo tracking, anywhere, anytime. For operational efficiency, our cargo staff will soon be equipped with mobile devices to identify cargo or ULDs on the ramp or in

the warehouse and take remedy action on the spot without going back to office to retrieve information.

4. What are the ramifications of the ongoing emissions debate for air cargo?

To minimize the impact we have on the environment, environmental protection has become one of the key focus areas of our corporate management. We introduced measures to conserve air fuel in 2007 and have been implementing the ISO 14001 (environment management system) since 2012. The EU set an Emissions Trading Scheme and asked airlines to implement the scheme from 2012 to 2020. While we agree with the spirit behind emissions trading, which is rooted in environmental protection, we have a different opinion from the European Commission on how to approach it. Considering the global nature of the aviation industry, we expect the International Civil Aviation Organization to establish a global resolution for aviation emissions reduction.

5. How do you see China Airlines' air cargo growth in the coming years?

In 2012, we adjusted our freighter capacity to an optimal level, which allows us to maintain stable service and also gives us the flexibility to withstand periods of low demand and high supply. In 2013, we are resuming trans-Pacific and European routes at a moderate pace to capture market share amid a gradual global recovery. In addition to cargo shipments originating in our main hub [Taiwan Taoyuan International Airport], we also offer direct services on Japan-U.S. and South-east Asia-Europe routes...We expect the market to recover gradually starting the second half of 2013.

AIRLINES

John Batten is joining **Coyne Airways** as managing director. Batten announced in May that he is leaving his position as executive vice president cargo services at Swissport International. He will leave Swissport on Aug. 31. He will begin his job at Coyne Airways in September and will be based in Dubai, the airline's hub. Before coming to Swissport, Batten worked at companies such as Qatar Airways and TNT Airways. He has been with Swissport for five years.



BATTEN

Wally Devereaux became senior director of cargo at **Southwest Airlines**. During his 21-year career with Southwest, Devereaux has spent the last 14 on the cargo side of the business. His previous role was director of sales and marketing. As senior director of cargo, he will focus on all commercial aspects of Southwest Airlines Cargo, including oversight of the sales, marketing and revenue management teams.



DEVEREAUX

James Canders has been appointed assistant airport director at **Bangor International Airport** in Maine. He has 17 years of experience, including senior roles at other airports in the U.S. and overseas, together with four years as an aviation operations specialist in Kansas, Germany, Macedonia and Kosovo with U.S. Army Aviation.



CANDERS

ASSOCIATIONS & TRADE GROUPS

Richard H. Anderson, CEO of **Delta Air Lines**, assumed his duties as chairman of the International Air Transport Association Board of Governors. Anderson succeeds Alan Joyce,

CEO and managing director of Qantas Airways. He will have a one-year term that lasts until the conclusion of IATA's Annual General Meeting in June 2014. Anderson has spent more than 25 years in aviation. He was named Delta's CEO in 2007 when he joined the airline from UnitedHealth Group. He began his aviation career in 1987 at Continental Airlines. IATA also announced that the Board of Governors appointed Air Canada President and CEO Calin Rovinescu to serve as chairman following Anderson's term.

The **Air Line Pilots Association** recognized FedEx Express captain **John Kohne** with its annual Pilot Assistance Award for his many years of service in building and maintaining pilot assistance programs at his airline. Kohne has assisted the airline in integrating ALPA critical incident response volunteers with the company's crisis notification program. Right now, he is developing a FedEx Pilot Assistance Network to assist FedEx pilots who feel they may be in need of physiological, psychological or medical assistance. The Air Line Pilots Association also recognized Jazz Air captain Murray Munro with a Presidential Citation for his outstanding efforts to assist pilots and their families in times of crisis. In 30 years of work with the Association's Canadian Pilot Assistance Group, Munro has made significant contributions to the physical and emotional wellbeing of crewmembers at Jazz Air and the eight other Canadian airlines represented by ALPA. As chair of the Canadian Pilot Assistance Group, Munro leads a team of volunteers whose goal is to support individual pilots' physical and mental wellness. Working with ALPA's Critical Incident Response Program, he has helped many pilots deal with crisis, including the attempted hijacking of CanJet Flight 918 in Jamaica in 2009 and the crash of First Air Flight 6560 in 2011.

Lambert-St. Louis International Airport Director **Rhonda Hamm-Niebruegge** has been selected to join the **National Freight Advisory Committee**, a group of professionals who will provide advice about the national freight transportation system. U.S. Transportation Secretary Ray LaHood said a strong freight transportation system is critical to the U.S.'s economy. The committee is made up of 47 voting members from outside the Department of Transportation. Members will serve two-year terms and meet at least three times per year.

Christopher "Kit" Johnson has joined **Airbus Americas** as its new customs manager for the company's A320 family assembly line in Mobile, Ala. Johnson fills the second position for the company's new manufacturing facility, where he will be responsible for securing and improving customs activities in the U.S. Johnson, a licensed customs broker and certified customs specialist, comes to Airbus Americas from John S. James Co. at Mercedes-Benz U.S. International, Inc. in Vance, Ala. Before that, Johnson was with FedEx Trade Networks Transport & Brokerage, Inc. in Memphis, Tenn.

MANUFACTURERS

Steen Georg Pedersen has been appointed **Swissport International** commercial director integrator handling. He has more than 18 years of management and commercial experience within the transport and logistics industry. He has worked 16 years at DHL in roles such as key account manager, area director and sales and marketing director.

THIRD PARTIES

Geodis Wilson announced the winners of its annual Innovation Masters Award recognizing outstanding internal innovative initiatives throughout the company. The people awarded were **Cynthia Liauw**, **Erik Goosens** and **Rutger Jonker** from the Netherlands; **Johan Karlsson**, **Martin Henriksen** and **Peter Riis Rasmussen** from Sweden and Denmark; the Hong Kong office's **Steven Pike**; and **Raj Kiran Pant** from India.

SBS Worldwide has appointed **Mike Barber** as general manager, Manchester. He will help SBS continue building its forwarding and supply chain services in the north of the UK. Barber has 40 years



BARBER

events

JULY 7-9

Kampala, Uganda: The Civil Aviation Authority of Uganda and the Entebbe International Airport are hosting the 8th annual Routes Africa. The gathering brings together people across the aviation industry to plan for the future. For more information, visit www.routesonline.com/events/159/routes-africa-2013/.

AUGUST 17-20

Orlando: The Air Carriers Purchasing Conference features a golf tournament, breakout sessions and a networking forum. For more information, visit www.acpc.com/index.html.

SEPTEMBER 5-6

Shanghai: Freight Forwarding China 2013 will feature a supply chain forum and speakers talking about topics in freight forwarding. The conference is expected to attract 500 attendees. For more information, visit www.ff-china.com/.

SEPTEMBER 22-25

San Jose, Calif.: The ACI-NA Annual Conference and Exhibition allows airport industry professionals to network with leaders in the industry and see the latest products and services. More than 1,700 visitors from more than 100 airports will attend. For more information, visit www.aci-na.org/event/2419.

SEPTEMBER 25-27

Lisbon, Portugal: Air Cargo Handling Conference 2013 will be hosted by ANA Aeroportos de Portugal. It is the fifth annual conference. For more information, visit evaint.com/our-events/air-cargo-handling-conference-2013.

OCTOBER 5-8

Las Vegas: Route development professionals from around the world will gather to discuss the future of air services. For more information, visit www.routesonline.com/events/160/world-routes-2013/.

OCTOBER 7-11

Munich: SMART Airports is a series of five, one-day conferences about topics such as aviation and economic development, airport security and IT and automation. For more information, visit www.smart-airports.com/.

OCTOBER 14-16

Shenzhen, China: The China International Logistics and Transportation Fair, which debuted in 2006, is a meeting for people in logistics and transport all over the world. Held by the Ministry of Transport of the PRC and the Shenzhen Municipal People's Government, the fair is expected to receive more than 80,000 attendees. For more information, visit www.scmfair.com/en/index.html.

OCTOBER 15-19

Suntec City, Singapore: FIATA Singapore 2013 brings together freight forwarders to learn and share industry practices. For more information, visit www.fiata2013.org/site/.

OCTOBER 16-18

Singapore: Air Cargo & Logistics Asia 2013 is a regional trade event for Asia and the Middle East. The international conference, which will be held by the STAT Media Group of India and the VFPR & Media Consultants in Singapore, will focus on air cargo, logistics and e-commerce. For more information, visit www.acla.asia/.

NOVEMBER 6-8

Miami: Air Cargo Americas offers an air cargo exhibition where companies can market their products and services to leading manufacturers, exporters, freight forwarders, importers and distributors in the Western Hemisphere. This is its 12th annual show. For more information, visit www.aircargoaamericas.com/.

NOVEMBER 21-23

Istanbul: The 7th logitrans Transport Logistics Exhibition is held by Messe Munchen International and EKO Fair Limited Co. The 2012 show attracted more than 12,600 people from 53 countries. For more information, visit www.logitrans.com.tr/english/.

of experience in the forwarding and logistics industry, most recently with Geodis. He has expertise in the automotive and pharmaceutical industries, but has worked within many other markets.

BP announced that **David Gilmour** has become chief executive of Air BP, the oil company's aviation fuels business. David replaces Andy Holmes, who has led Air BP for three years. David has been COO of Air BP since 2009 and has many years of experience in the sector.

Jim Barnett has become vice president, automotive sector for the Americas at **CEVA Logistics**. Barnett joined CEVA in 2009 and for the last four years served as the COO of CEVA's joint venture with Anji Logistics in China, Anji-CEVA. He has almost 20 years of supply chain management and automotive manufacturing experience. Prior to CEVA, Barnett was the supply chain director of the General Motors Flint Manufacturing Center.

Wil van Roemburg and **Marja**

Siebelink have resigned from their management roles at **Skylink Handling Services**, which does air cargo handling. Marco Gredig, executive vice president marketing & SQS at airfreight handling company Cargologic, has become managing director. Gredig has been with Cargologic since 2003.

AMI, a trade-only airfreight wholesaler, has promoted **Darren Zieba** to the newly created post of global IT project manager. Zieba has worked in aviation and air cargo IT for more than 15 years. He began with Ogden Cargo in London in 1997, later moving to the ground handling business of Menzies Aviation when it acquired Ogden in 2000. He has since taken on several roles with the Menzies Aviation IT team.

Heavyweight Air Express has

appointed **Alyne Fukuda** as its sales manager for the company's client Etihad Cargo in Brazil. Fukuda has experience in the local airfreight market with both regional and Gulf-based airlines.

Herbert de Saint Simon has been appointed CEO of **Bolloré Logistics** and president of **SDV International Logistics**, a supply chain management company. A freight forwarding organization has been created within the Bolloré Logistics Division. Saint Simon takes leadership of this structure. He has been CEO of SDV since 2009.

Legacy Transportation Services, a logistics company, hired **John Otten** as vice president business development. Otten joins Legacy from Allied Van Lines in Naperville, Ill., where he held a range of positions over his 30-year career. In his new position at Legacy, Otten will be responsible for strategic planning, development and execution of customized client services and corporate business development. **ACW**



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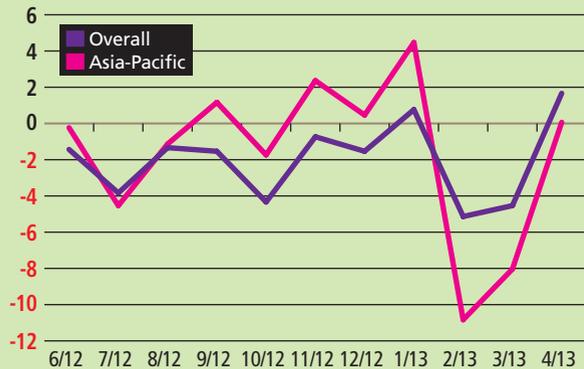


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CARRYING EUROPE

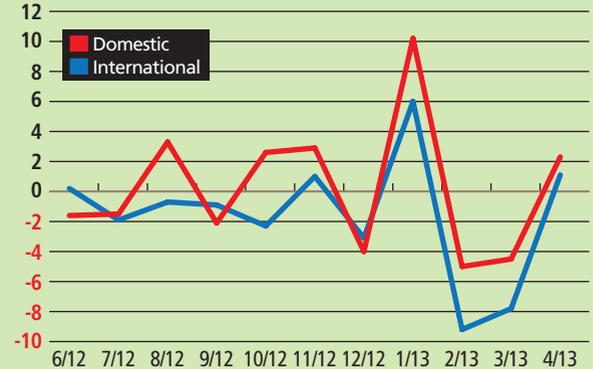
Monthly year-over-year percent change in overall freight traffic and Asia-Pacific freight traffic for European airlines.



Source: Association of European Airlines

U.S. AIRLINES

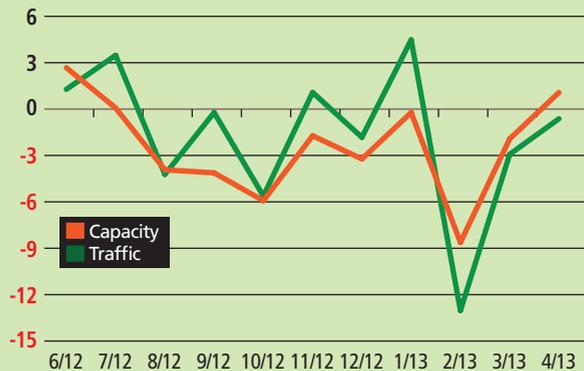
Monthly year-over-year percent change in domestic and international cargo traffic for U.S. airlines.



Source: Airlines for America

CARRYING ASIA

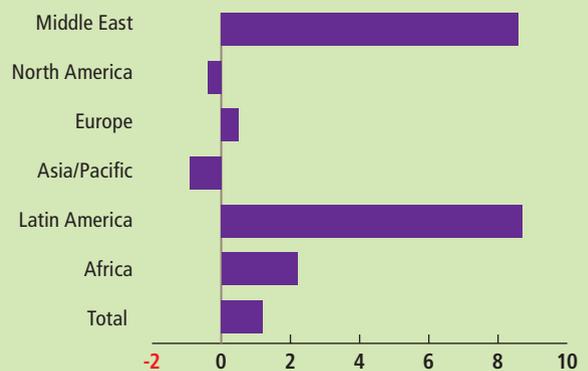
Monthly year-over-year percent change in capacity, in available-tonne kilometers, and traffic, in freight-tonne kilometers, of Asia-Pacific airlines.



Source: Association of Asia Pacific Airlines

SHARING MARKETS

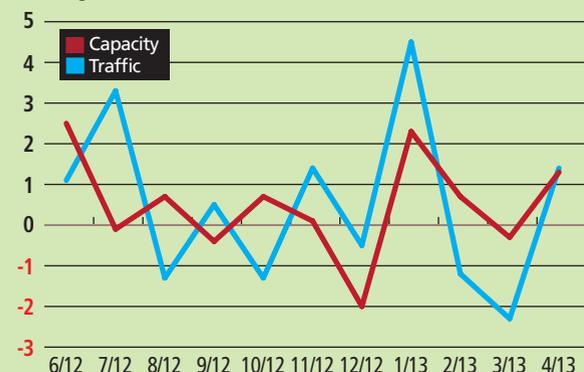
International air cargo year-to-date percent change for April 2012 vs. April 2013



Source: IATA

CARRYING INTERNATIONAL

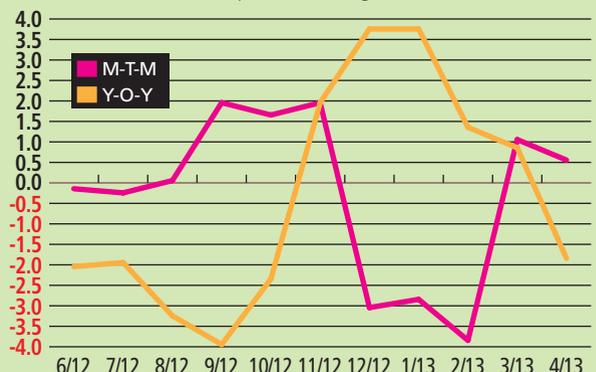
Monthly year-over-year percent change in total scheduled international freight traffic and capacity worldwide in freight-tonne kilometers and available-tonne kilometers.



Source: IATA

SEMICONDUCTORS

Worldwide monthly year-over-year percent change in sales of semiconductors and month-to-month percent change.



Source: Semiconductor Industry Association

Drewry: Airfreight rates fall in May

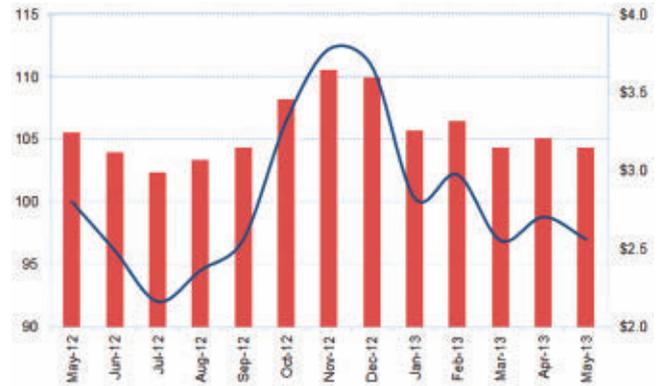
Drewry's East-West Air Freight Price Index, a weighted average of airfreight rates across 21 East-West trades, fell by 1.8 points in May to 97.0 points. This wiped out the 1.9 point gain achieved in April and brought the index down to within five points of last year's low of July.

The main airport hubs in Asia continue to report stronger export traffic figures although overall demand growth remains weak. Rising Asia outbound demand should feed into higher pricing. But this will be tempered by fast rising capacity growth, which is being driven by buoyant passenger demand.

This dynamic will increase as the Northern hemisphere enters the summer season and carriers bring in more belly-hold capacity to meet rising passenger demand. Hence, pricing on Asia origin trades may take a while to recover before the expected uptick in second half demand feeds into rates.

(Commentary is provided by Drewry Sea & Air Shipper Insight.)

Drewry East-West Airfreight Price Index (May 2012 = 100)



Source: Drewry Sea & Air Shipper Insight

Notes: This index is a weighted average of all-in airfreight "buy rates" paid by forwarders to airlines for standard deferred airport-to-airport airfreight services on 21 major East-West routes. Rates are expressed in \$/kg and include 3 components: the base rate, the fuel surcharge and the security surcharge. They exclude door delivery costs.



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Brandon Fried is the executive director of the U.S. Airfreight Forwarders Association

Don't get left behind in the E-freight rush

I was vehemently against the purchase of a new family computer. After all, our old desktop had performed so well and reliably that I simply ignored its growing obsolescence. What could not be ignored were my kids' constant requests and pleas for a new, state-of-the-art machine capable of running modern programs and, yes, all of the latest gaming.

Time is wonderful in that its passing allows us to gradually realize different perspectives. After struggling with getting the latest software to work on my aging computer, I began to see another point-of-view. I realized that good software does come from heaven but only when you have good hardware. So, after much reflection and a bunch of hard-earned cash, our new flat-paneled beauty sits prominently at home, plying the internet like a hot knife through butter while teaching me a lesson of time's ultimate value.

As e-commerce begins to find its place within the airfreight forwarding industry, I am reminded of my aging computer. Waiting and saving my money until the last possible moment may have seemed smart, but how much of my time was wasted on inefficiency? Being unable to run modern software and play the neatest games were my clues – but how will forwarders know the right time to pull the E-freight trigger?

The International Air Transport Association has begun a phased-in approach to E-freight that starts with e-AWB, an initiative focused on eliminating the paper airline master AWB from shipments. It is a logical starting point, but an easy-to-read roadmap is still needed for those willing to continue the journey.

Forwarders intuitively know that e-commerce saves money by stripping out labor costs. Airlines seem to understand the benefits for their operational needs. But from a forwarding perspective, where are the models supporting this? Digitizing data is the foundation to E-freight but knowing how, when and where this will occur brings lingering questions for many in the forwarding community.

Forwarders want to know if shippers will digitize their paper shipping documents or if this task will be left to their forwarding companies. If forwarders provide such a service to the customer, what are the costs and will the operational savings outweigh the expense?

When I began to look for a new home computer, my kids quickly showed me the competitive environment and what

I was up against. For instance, the software guru neighbor in the big house down the street not only had the most up-to-date machine but one on each floor of his colossal house. As with the large intergalactic forwarders, he wants to be assured that his investment will support the proprietary systems he develops.

Many forwarders are medium-sized and use third-party, off-the-shelf software to run their business. They hope that these vendors are up to speed on E-freight requirements and are working on solutions that will be easy to use and understand. They also worry about whether the savings will pay for the additional costs of development.

Another neighbor of mine still uses a manual push lawnmower and has one computer that belongs in a museum. He reminds me of the many small forwarders who seem to survive without complex computerization, relying on typewriters and clipboards for record keeping. Is there anyone addressing their needs?

Companies offering value-added network services will doubtless play an important roll for all market segments in meeting the e-commerce challenge. These firms serve as intermediaries between business platforms, transforming data between formats such as EDI to XML. It would certainly be helpful to know where they are in the E-freight development process.

The IATA E-freight initiative aims to “take the paper out of air cargo” supply chain operations and replace it with electronic messaging which is supposedly more accurate, more reliable and less expensive. As with my children convincing me for the need of a more modern and capable home computer, adoption is going to be slow, yet there are signs of progress. Many airlines are signing up, and a new convenient multilateral e-AWB agreement between carriers and forwarders is now available.

In 50 years, as we look back on the progress of e-commerce in airfreight transportation, it will be interesting to see how long it took the industry to adopt its principles and derive the promised efficiencies and cost savings. Time will tell, but not pursuing the digitalization of paper data will likely place our industry on the wrong side of history. Now is the time for all of us to roll up our sleeves, stop preaching theory and start talking about real-world opportunities and solutions to make it a reality.



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